



# Department of Justice

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## **COMPUWARE CORPORATION AND VIASOFT INC. ABANDON MERGER PLANS**

### **Competition is Preserved in Mission-Critical Mainframe Computer Software Markets**

**Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division, issued the following statement today after Compuware Corporation and Viasoft Inc. had agreed to terminate their proposed merger:**

"This is a terrific result for consumers. Viasoft is an important supplier of testing and debugging software, and despite its small market share, it is a recent entrant into fault management software. Both of these are markets that Compuware has dominated. Customers would have faced higher prices, less product support, and less development in the markets for these two important mainframe computer software products. Our lawsuit--with the resulting abandonment of the transaction by the parties--will preserve competition in the affected software markets."

On October 29, 1999, the Department's Antitrust Division filed a civil antitrust lawsuit to block Compuware from acquiring Viasoft. The Division challenged the transaction because it would have reduced competition significantly in the markets for two types of mission-critical software products for mainframe computers. Those software products are testing and debugging software, which is used to check for errors in software development and also to fix and test code corrections in the event of a processing failure, and fault management software, which automates the diagnosis of the causes of processing failures.

In its lawsuit, the Division alleged that Compuware is the world's dominant producer of both mainframe testing and debugging software and fault management software. It also alleged that Viasoft is Compuware's closest rival in the market for testing and debugging software and

that Viasoft is a recent entrant in the market for fault management software, with a promising product that should enable it to become a significant competitor to Compuware. The trial was scheduled to begin April 3, 2000.

This case is one of a series of cases where the Antitrust Division has been prepared to “full-stop” block a merger. Since July 1, 1997, the Antitrust Division has gone to court nine times to block merger transactions-- five resulted in the defendants abandoning their deal; three resulted in post-complaint settlements, and one is in litigation. The cases challenged are:

- Aluminum Company of America and Reynolds Metals Company (abandoned);
- Chancellor Media Corp. and SFX Broadcasting (settlement);
- Lockheed Martin Corporation and Northrop Grumman Corporation (abandoned);
- Primestar Inc. (abandoned);
- Citicorp Inc. and Transactive Corp. (abandoned);
- Northwest Airlines Corp. and Continental Airlines Inc. (litigation);
- Waste Management Inc. and Eastern Environmental Services Inc (settlement).;
- Suiza Foods Corp. and Broughton Foods Company (settlement); and
- Compuware Corporation and Viasoft Inc. (abandoned).

Also, on seven occasions, the Division has been prepared to go to court to “full-stop” block a merger, but the parties abandoned the transaction prior to the filing of a lawsuit. These “full-stop” blocks and abandonments are in addition to the many cases where the Division has accomplished divestitures or restructuring to eliminate competitive concerns of proposed transactions.

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